

**CREDIT GUARANTEE AND
INVESTMENT FACILITY
(Asian Development Bank - Trustee)**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
31 DECEMBER 2013 AND 2012**

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(Asian Development Bank - Trustee)**

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY

Report on the Financial Statements

We have audited the accompanying financial statements of Credit Guarantee and Investment Facility, which comprise the statement of financial position as at 31 December 2013 and 2012 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credit Guarantee and Investment Facility as at 31 December 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Public Accountants and
Chartered Accountants
Singapore

15 April 2014

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF FINANCIAL POSITION
31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013		2012	
ASSETS				
CASH	\$	3,053	\$	1,709
INVESTMENTS (Note D)				
Government or government-guaranteed obligations	\$	690,208	\$	621,091
Corporate Obligations		11,165		-
Time deposits		8,001		88,000
		709,374		709,091
ACCRUED REVENUE		3,226		2,903
GUARANTEE FEE RECEIVABLE (Note E)		1,183		-
FURNITURE & EQUIPMENT		1,251		688
Less: Allowance for depreciation		482		235
		769		453
OTHER ASSETS (Note F)		368		540
TOTAL	\$	717,973	\$	714,696
LIABILITIES AND MEMBERS' EQUITY				
GUARANTEE LIABILITY (Note E)	\$	1,765	\$	-
DEFERRED EARNINGS ON GUARANTEES		4		-
ACCRUED EXPENSES (Note G)		272		127
PAYABLE TO OTHER FUND		-		12
OTHER LIABILITIES (Note H)		700		696
TOTAL LIABILITIES		2,741		835
MEMBERS' EQUITY (CGIF-4)				
CAPITAL STOCK (Note I)				
Subscribed capital		700,000		700,000
UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENTS (Note D)		1,873		3,220
RESERVE (Note J)		10,641		6,532
RETAINED EARNINGS		2,718		4,109
TOTAL MEMBERS' EQUITY		715,232		713,861
TOTAL	\$	717,973	\$	714,696

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF NET INCOME
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
REVENUE		
Interest income on investments	\$ 7,645	\$ 8,008
Income on guarantees	421	-
Others	66	1
TOTAL REVENUE	8,132	8,009
EXPENSES		
Administrative expenses	4,405	2,937
Financial expenses	49	37
Depreciation expenses	246	234
Other miscellaneous expenses (Note H)	700	696
TOTAL EXPENSES	5,400	3,904
Total operating income	2,732	4,105
TRANSLATION (LOSS) GAIN	(14)	4
NET INCOME	\$ 2,718	\$ 4,109

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
NET INCOME	\$ 2,718	\$ 4,109
OTHER COMPREHENSIVE (LOSS) INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized (loss) gain on available for sale investments (Note D)	(1,347)	4,271
TOTAL COMPREHENSIVE INCOME	\$ 1,371	\$ 8,380

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	Subscribed Capital	Receivable from Contributors	Unrealized (Loss) / Gain on Available for Sale Investments	Reserve	Retained Earnings	Total Members' Equity
Balance, 1 January 2012	\$ 700,000	\$ (18,901)	\$ (1,051)	\$ -	\$ 6,532	\$ 686,580
Payment of subscriptions	-	18,901	-	-	-	18,901
Net income for the period	-	-	-	-	4,109	4,109
Allocation of prior year income to reserve	-	-	-	6,532	(6,532)	-
Other comprehensive income						
Net unrealized investment holding gain during the period	-	-	4,271	-	-	4,271
Balance, 31 December 2012	\$ 700,000	\$ -	\$ 3,220	\$ 6,532	\$ 4,109	\$ 713,861
Net income for the period	-	-	-	-	2,718	2,718
Allocation of prior year income to reserve	-	-	-	4,109	(4,109)	-
Other comprehensive loss						
Net unrealized investment holding loss during the period	-	-	(1,347)	-	-	(1,347)
Balance, 31 December 2013	\$ 700,000	\$ -	\$ 1,873	\$ 10,641	\$ 2,718	\$ 715,232

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF CASH FLOWS
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenses paid	\$ (4,912)	\$ (3,549)
Income from guarantees and other sources received	487	-
Other assets received (paid)	699	(671)
Financial expenses paid	(49)	(37)
Net Cash Used in Operating Activities	(3,775)	(4,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(842,087)	(3,915,326)
Sales/maturities of investments	835,141	3,890,586
Interest received on investments	12,637	10,955
Purchase of furniture and equipment	(561)	(480)
Net Cash Provided (Used) in Investing Activities	5,130	(14,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received	-	18,901
Net Cash Provided by Financing Activities	-	18,901
Effect of exchange rate changes on cash	(11)	5
Net Increase in Cash	1,344	384
Cash at Beginning of Period	1,709	1,325
Cash at End of Period	\$ 3,053	\$ 1,709
RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Net income (CGIF-2)	\$ 2,718	\$ 4,109
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	246	234
Interest income on investments	(7,645)	(8,008)
Change in future guarantee fee receivable	(1,186)	-
Change in guarantee liability	1,765	-
Change in deferred earnings on guarantees	4	-
Change in payable to other fund	(12)	(16)
Change in accrued expenses	146	(148)
Translation loss (gain)	14	(4)
Change in other assets	171	(450)
Change in other liabilities	4	26
Net Cash Used in Operating Activities	\$ (3,775)	\$ (4,257)

The accompanying notes are an integral part of these financial statements (CGIF-6).

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK – TRUSTEE)**

**NOTES TO FINANCIAL STATEMENTS
31 December 2013 and 2012**

NOTE A—GENERAL INFORMATION

The Credit Guarantee and Investment Facility (CGIF) was established on 12 November 2010. Its main objectives are to promote resilience of the financial markets, and to prevent disruptions to the international financial order, by eliminating currency and maturity mismatches for investment rated corporations through guarantees to help them access local currency bond markets.

The general principles of organization, management and operations of CGIF are set out in the Articles of Agreement as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages all CGIF funds and other property only for the purposes of, and in accordance with the provisions of the Articles of Agreement. Based on the Article 13.2 of the Articles of Agreement of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (i) the trustee, (ii) the property, asset, archives, income, operations, and transactions of CGIF.

CGIF will be financed solely from capital contributed by member countries and ADB. CGIF will not borrow from any source to finance its operations except for purposes of cash management.

The Contributors in CGIF are the governments of Association of Southeast Asian Nations, Japan, People's Republic of China, and Republic of Korea (ASEAN+3) and ADB (see Note I). Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US\$700,000,000, divided into 7,000 shares with a nominal value of US\$100,000 each. All such shares are subscribed and fully paid in by the Contributors as at 31 December 2013.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

Functional and Presentation Currency

CGIF's members are from ASEAN+3 and ADB with the subscriptions and redemptions of the shares denominated in the United States dollars (USD). The primary activity of CGIF is guaranteeing bonds that are denominated in local currencies and issued by investment-grade ASEAN+3 corporations in undertaking infrastructure and other longer term projects in ASEAN. The performance of CGIF is measured and reported to the Contributors in USD. The USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is CGIF's functional and presentation currency.

Translation of Currencies

CGIF adopts the use of daily exchange rates for accounting and financial reporting purposes. This allows transactions denominated in currencies other than USD to be translated to the reporting currency using the exchange rates applicable at the time of transactions. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting month, translations of asset and liabilities which are not denominated in USD are adjusted using the applicable rates of exchange at the end of the reporting period. These translation adjustments are accounted for as exchange gains or losses and are credited or charged to operations.

Cash

Cash represents cash or deposit in an interest bearing money account.

Investments

All investment securities and negotiable certificate of deposits by CGIF are considered to be "Available for Sale" and are reported at fair value. Time deposits are reported at cost which is a reasonable estimate of fair value. Investment securities are recorded on their trade dates. Unrealized gains and losses are reported as part of "Unrealized Gain on Available for Sale Investments" under Members' Equity. Realized gains and losses are recognized in the Statement of Net Income and are measured by the difference between amortized cost and net proceeds of sales. When a security is derecognized or disposed of, the remaining unrealized gains or losses will be reclassified out of "Unrealized Gain on Available for Sale Investments" and recognized in the Statement of Net Income.

Interest income on investment securities and time deposits are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued on a timely basis, by reference to the principal outstanding and at the applicable effective interest rate.

Unrealized losses on investment securities are assessed to determine whether the impairment is deemed to be other than temporary. If the impairment is deemed to be other than temporary, the unrealized loss will be recognized in the Statement of Net Income even though the securities have not been derecognized. If in a subsequent period, the fair value of the investment security increases and the increase can be objectively related to an event occurring after the impairment was recognized, that portion of the impairment loss shall be reversed in the Statement of Net Income.

Furniture and Equipment

Furniture and equipment are stated at cost and depreciated over estimated useful lives (4 to 7 years) on a straight-line basis. Maintenance, repairs and minor betterments are charged to expense.

Subscribed Capital

Each contributor subscribed by depositing with the Trustee a duly completed Instrument of Acceptance. Contributions are included in the financial statements at historical cost from the date of the signing of the Instrument of Acceptance.

Financial Guarantees

Financial guarantees are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of fees expected to be received under the guarantees. Subsequently, the guarantees are measured at the higher of the unamortized balance of the amount initially recognized, and the expenses required to settle any commitments which are probable and can be reliably estimated.

Income from Guarantees includes fees earned from guarantees, which are recognized on an accrual basis over the life of the contract.

Fair Value of Financial Instruments

IFRS 13, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is market-based measurement, not an entity-specific measurement. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of principal market, in the most advantageous market for the asset or liability.

Fair Value Hierarchy

To increase consistency and comparability in fair value measurements and related disclosures, IFRS establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs), next priority to observable market inputs or market corroborated data (Level 2 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair values of CGIF's financial assets and liabilities are categorized as follows:

Level 1: fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: fair values are based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Inter-level transfers from one year to another may occur due to changes in market activities affecting the availability of quoted market prices or observable market data.

CGIF's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Segment Reporting

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that investment-rated corporations can access those markets and avoid currency and maturity mismatches. CGIF's products and services are unique and are structured and distributed in a uniform manner to its clients. Based on CGIF's operations, CGIF has only one reporting segment.

Critical Accounting Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires exercising judgment in the process of applying the CGIF's accounting policies and determining the fair value of financial instruments. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are included in Notes D and E. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

Accounting and Reporting Developments

In 2009, the IASB issued IFRS 9 *Financial Instruments* as part of a comprehensive project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, which was subsequently updated in 2010 and 2013. IFRS 9 focuses on classification and measurement of financial assets where it retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also added requirements for classification and measurement of financial liabilities, where the requirements related to the fair value option for financial liabilities were changed to address own credit risk. The amendments in November 2013 include (1) the introduction of a new hedge accounting model, along with disclosure requirements related to risk management activity; (2) an option for a reporting entity to present changes in its own credit risk within other comprehensive income; and (3) the removal of the mandatory 1 January 2015 effective date from IFRS 9, without removing the early-adoption provisions. CGIF is currently assessing the impact of this standard on its financial statements.

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 is a single source of fair value measurement guidance that clarifies the definition of fair value, provides a clear framework for measuring fair value and enhances disclosures about fair value measurements. IFRS 13 does not introduce new fair value measurements; it specifies how an entity should disclose information about fair value measurements. The new guidance is effective from quarter ended 31 March 2013 for CGIF. See Note D for the required disclosure.

In June 2011, the IASB issued *Presentation of Items of Other Comprehensive Income (OCI)* (Amendments to IAS 1). The main amendments require an entity to group items presented in OCI on the basis of whether they will be reclassified subsequently to profit or loss (when specific conditions are met) or not. The updates are effective for annual periods beginning on or after 1 July 2012. CGIF adopted the provisions in Amendments to IAS 1 and presented in CGIF-3 beginning its quarter ended 31 March 2013 and 2012 financial statements the reclassification grouping.

In December 2011, the IASB issued Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. The amendments require more extensive disclosures, including quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new guidance is effective for annual periods beginning on or after 1 January 2013. This Amendment did not have any impact on CGIF's financial statements.

NOTE C—RISK MANAGEMENT

CGIF's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. These risks are managed pursuant to the operational policies approved by the Contributors. Majority of the financial assets and liabilities recorded in the Statement of Financial Position as of 31 December 2013 are denominated in USD.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main driver for market risk for CGIF is interest rate risk. Interest rate risk is primarily the sensitivity of income on assets funded by equity resources to changes in interest rates. CGIF's principal interest rate risk management is to generate a stable overall interest income that is not overly sensitive to sharp changes in interest rates, but yet adequately responsive to general market trends. This is achieved by continuously adjusting the repricing profile of the assets to match current liquidity needs against interest yields on the investments.

According to CGIF's Investment Guidelines which were approved in May 2013 by the CGIF Board of Directors, the allowable average duration of all outstanding investments, including floating rate-based securities, is 5 years. As of 31 December 2013, CGIF investment portfolio was invested with maturities up to 4 years (3 years – 2012), with an average effective duration of 1.1 years (1.0 year – 2012). CGIF investments are sensitive to interest rate movements. A parallel 100 basis points (bps) upward shift in the yield curve at the portfolio level is estimated to increase an unrealized loss of about \$7.8 million (\$6.9 million – 2012) for the fixed income securities.

Credit Risk

Pursuant to its Investment Guidelines, CGIF limits the international ratings of its investments to no lower than AA- and A-1, respectively, for long term instruments and short-term instruments. The same policy applies to CGIF's investments in government-related-entity or government-guaranteed instruments. CGIF's long-term deposits are placed in banks with long-term credit ratings of at least AA-. CGIF's deposits are placed in banks with short-term ratings of at least A-1. Credit risk in these investments is considered low.

The profile of CGIF's guarantee portfolio is monitored and controlled so that leverage and concentrations are kept within policy limits. Current policy limits the amount of guarantees issued or approved to no more than CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (A) CGIF's total paid-in

capital plus retained earnings, less credit loss reserves, foreign exchange loss reserves, and all illiquid investments, and (B) the maximum leverage ratio of 2.5:1. CGIF's maximum leverage ratio is determined by the Meeting of Contributors on the recommendation of the CGIF Board. A system of concentration controls is in place. Guarantee exposure to any country and to any currency is limited to no more than 20% and 40%, respectively, of CGIF's MGC. Exposure to any particular sector may not exceed 30% of MGC, in aggregate; and 50% of the country exposure limit, within countries. Single borrower exposures, and single group exposures, may not exceed 20% of CGIF equity. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

Liquidity Risk

Liquidity risk can arise if CGIF is unable to provide funds to meet its financial and operational commitments. CGIF maintains adequate liquidity resources to meet the cash requirements and potential calls on the guarantees issued. CGIF assesses and monitors the availability of its liquid assets on a periodic basis. CGIF conducts quarterly tests of its liquidity under stress scenarios where CGIF has to meet lumpy obligations related to claims on guarantees, and raise funds from various sources under strenuous conditions. The liquidity stress tests in consideration of CGIF's guarantee portfolio as of 30 September 2013 and 31 December 2013 indicate that CGIF could generate the liquidity that will be required should there be a guarantee claim on CGIF.

Capital Resources

CGIF'S capital resources comprise of capital stock and reserve. The primary objective in the management of CGIF's capital resources is to protect the principal by maintaining a conservative exposure to the market, credit and liquidity risks. CGIF strives to maximize returns on the invested asset portfolio while minimizing the volatility of investment income. Based on this objective, CGIF capital resources are placed with its trustee, ADB

Other Operating Risks

In the normal course of business, CGIF may utilize derivative instruments to cover risk hedges. These derivative instruments are used to minimize foreign exchange rate risks in managing its financial position. These derivative instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to CGIF. Given the nature of CGIF's operations, it is not possible to eliminate counterparty credit risk; however, CGIF minimizes this risk by executing transactions within a prudent framework of approved counterparties with minimum credit rating standards.

NOTE D—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB administers CGIF's investments and seeks the highest possible returns on its investments while minimizing volatility of investment income.

The annualized rate of return on the average investments held during the year ended 31 December 2013, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 1.08% (1.13% - December 2012).

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2013 and 2012 were as follows:

	31 December 2013		31 December 2012	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	\$ 344,323,000	\$ 344,191,000	\$ 378,140,000	\$ 377,998,000
Due in one to five years	365,051,000	363,311,000	330,951,000	327,874,000
Total	<u>\$ 709,374,000</u>	<u>\$ 707,502,000</u>	<u>\$ 709,091,000</u>	<u>\$ 705,872,000</u>

Fair Value Disclosure

The fair value of the government-related-entity or government guaranteed and corporate obligations as of 31 December 2013 and 2012 was as follows:

	31 December 2013	Fair Value Measurements		
		Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	\$ 690,208,000	\$ 322,361,000	\$ 317,847,000	\$ 50,000,000
Corporate Obligations	\$ 11,165,000	\$ 11,165,000	\$ -	\$ -

	31 December 2012	Fair Value Measurements		
		Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	\$ 621,091,000	\$ 279,997,000	\$ 291,106,000	\$ 49,988,000
Corporate Obligations	\$ -	\$ -	\$ -	\$ -

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity or government-guaranteed obligations and corporate obligations. Investments with no active market quotes are categorized as Level 2 or Level 3. Valuation for these investments is provided by independent valuation services using valuation techniques appropriate to the market and industry of each investment. Time deposits are reported at cost, which approximates fair value.

ADB as CGIF's Trustee, manages CGIF's investments in liquid assets which are governed by the CGIF Operational Policies and Investment Guidelines approved by the CGIF Board of Directors, and follows the same process and internal controls to value the investment securities as ADB's portfolio. The data management unit in ADB's treasury department is responsible for providing the valuation in accordance with the business process. In instances where ADB relies primarily on prices from third party pricing information, there are procedures in place to validate the appropriateness of those values in determining the hierarchy levels. This involves evaluating the nature of prices provided by third party pricing sources to determine if they are indicative or binding prices. Transfers into or out of each level can happen from one period to another depending on the availability of observable inputs.

The table below provides the details of transfers between Levels 1 and 2 for the years ended 31 December 2013 and 2012:

	2013		2012	
	Level 1	Level 2	Level 1	Level 2
Government-related-entity or government-guaranteed				
Transfers into (out of)	\$ 25,586,000	\$ (25,586,000)	\$ -	\$ -

The inter-level transfer is attributed to the availability of observable inputs. There was one government-related-entity or government-guaranteed obligation that matured in Level 3 as of the year ended 31 December 2013.

The following tables present the changes in CGIF's Level 3 investments for the years ended 31 December 2013 and 2012.

	Government-related-entity or government-guaranteed obligations
Balance, 1 January 2013	\$ 49,988,000
Total gains (losses) - (realized/unrealized)	
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	
Accumulated Translation Adjustments	-
Unrealized Holdings Gains (Losses)	12,000
Purchases	50,000,000
Maturities	(50,000,000)
Settlement and others	-
Transfers into Level 3	-
Transfers out of Level 3	-
Balance, 31 December 2013	<u>\$ 50,000,000</u>

The amount of total gains (losses) for the period recognized in other comprehensive income attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date

\$ -

	Government-related-entity or government-guaranteed obligations
Balance, 1 January 2012	\$ -
Total gains (losses) - (realized/unrealized)	
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	
Accumulated Translation Adjustments	-
Unrealized Holding Gains/(Losses)	(12,000)
Purchases	50,000,000
Maturities	-
Settlement and others	-
Transfers into Level 3	-
Transfers out of Level 3	-
Balance, 31 December 2012	<u>\$ 49,988,000</u>

The amount of total gains (losses) for the period recognized in other comprehensive income attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date

\$ (12,000)

NOTE E—GUARANTEES

In 2013, CGIF issued two guarantees covering bonds denominated in Thai Baht and Indonesian Rupiah totaling to US\$139.7 million at issuance date. The total outstanding amount of the guarantees issued under the related bonds was \$125.1 million as of 31 December 2013.

As of 31 December 2013, a guarantee liability of \$1.8 million was reported on the Statement of Financial Position representing the unamortized balance of the present value of total guarantee fees expected to be received under the terms of the guarantee.

The reported guarantee fee receivable of \$1.2 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2013.

The balance of the guarantee fee receivable and liability by contractual maturity as of 31 December 2013 were as follows:

(\$ thousand)				
	Less than one year	One year to five years	Adjustment	Total
Guarantee Fee Receivable	\$ 670	\$ 598	\$ (85)	\$ 1,183
Guarantee Liability	\$ 758	\$ 1,094	\$ (87)	\$ 1,765

The guarantee fee receivable and liability are reported at carrying value, which approximates the fair value.

NOTE F—OTHER ASSETS

Other assets pertain to advances made by CGIF for staff benefits, prepaid office rentals, consulting services, model rating from S&P, subscriptions and licenses as well as security deposit.

NOTE G—ACCRUED EXPENSES

Accrued expenses pertain to administrative expenses incurred during the year but not yet paid.

NOTE H—RELATED PARTY TRANSACTIONS

CGIF utilizes certain services from ADB including treasury and accounting services as may be agreed with the Chief Executive Officer from time to time.

Other liabilities and other miscellaneous expenses pertain to the provision for ADB's administration fee which is equivalent to 10 bps of the average quarterly balance of contributions received as of the end of the year. The amount of \$0.7 million pertaining to ADB's administration fee for 2012 was subsequently settled in April 2013. The same amount of administration fee was recorded in 2013 to be settled in April 2014.

NOTE I—MEMBERS' EQUITY

Equity is composed of capital stock and retained earnings and is consistent with prior year.

The capital stock of CGIF as of 31 December 2013 and 2012 were as follows:

	2013	2012
Capital Stock - \$100,000 nominal value		
Authorized		
\$700,000,000 (7,000 shares)		
Subscribed		
7,000 shares	<u>\$700,000,000</u>	<u>\$700,000,000</u>

Each contributor shall subscribe by depositing with ADB a duly completed Instrument of Acceptance.

Capital stock of \$700 million have been fully subscribed as of 31 December 2011.

The subscribed capital for CGIF as of 31 December 2013 and 2012 were as follows:

Contributor	No. of Shares	Amount
Asian Development Bank	1,300	\$ 130,000,000
ASEAN Member Countries		
Brunei Darussalam	56	5,600,000
Cambodia	1	100,000
Indonesia	126	12,600,000
Lao People's Democratic Republic	1	100,000
Malaysia	126	12,600,000
Myanmar, Republic of the Union of	1	100,000
Philippines	126	12,600,000
Singapore	126	12,600,000
Thailand	126	12,600,000
Viet Nam	11	1,100,000
	<u>700</u>	<u>70,000,000</u>
Others (non-ASEAN Member Countries (+3))		
China, People's Republic of	2,000	200,000,000
Japan Bank for International Cooperation	2,000	200,000,000
Korea, Republic of	1,000	100,000,000
	<u>5,000</u>	<u>500,000,000</u>
Total	<u>7,000</u>	<u>\$ 700,000,000</u>

NOTE J— RESERVE

In May 2013 and 2012, the Contributors approved the allocation of net income of \$4.1 million and \$6.5 million respectively, to Reserve.

NOTE K— SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 31 December 2013 through 15 April 2014, the date these Financial Statements are available for issuance. In March 2014, CGIF completed a guarantee underwriting transaction for issuance of an IDR 120 billion bond which is due on 18 March 2017. As this guarantee was entered into after 31 December 2013, the respective guarantee liability, fee receivable and off balance sheet contingent position shall be reflected in the subsequent year's financial statements.